

D.P.U. 96-7D

Application of Nantucket Electric Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 193B, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of November and December 1996 and January 1997; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

APPEARANCES: Amy G. Rabinowitz, Esq.
New England Power Service Company
25 Research Drive
Westborough, MA 01582-0099
FOR: NANTUCKET ELECTRIC COMPANY
Petitioner

Jane Walton
22 North Pasture Lane
Nantucket, Massachusetts 02554
Limited Participant

I. INTRODUCTION

On October 3, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Nantucket Electric Company ("Nantucket" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 193B, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 193B. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of November and December 1996 and January 1997. The matter was docketed as D.P.U. 96-7D.

Pursuant to notice duly issued, a public hearing on the Company's application was held on October 24, 1996, at the Department's offices in Boston. Notice of the hearing was published by the Company in the Nantucket Inquirer and Mirror. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. Jane Walton, a residential customer of the Company, was granted status as a limited participant. No other petitions for leave to intervene were filed. At the hearing, the Company sponsored one witness: Douglas Kenward, director of planning and regulatory affairs for the Company. The evidentiary record includes one exhibit submitted by the Company.

Nantucket supplies electricity at retail cost to the island of Nantucket, which is not interconnected with the mainland or with any other electric company or system.¹ Thus, the

¹ Nantucket has contracted with Massachusetts Electric Company to run a cable from the mainland to Nantucket which will supply electricity to Nantucket. The expected completion date for the cable is approximately January 1, 1997. At that time, Nantucket

Company is distinguishable from most other New England utilities in that it is completely dependent on itself and any non-utility power producers on Nantucket for its generation needs. The Company's generating plant consists of thirteen internal combustion (diesel) engines and associated generators, variously sized from 700 kilowatts ("KW") to 6,900 KW, with a total installed generating capacity of approximately 32,250 KW. The Company has 8,174 customers on a monthly basis, of which approximately 2,000 are year-round customers. In its 1995 Annual Report to the Department, the Company reported retail revenues of \$13,237,401 from the sale of 91,003 megawatthours of electricity.

II. FUEL CHARGE

On October 16, 1996 the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for November and December 1996 and January 1997. The Company proposes a fuel charge of \$0.07070 per kilowatthour ("KWH"). The proposed fuel charge is \$0.02442 per KWH higher than the current fuel charge of \$0.04628 per KWH approved by the Department in Nantucket Electric Company, D.P.U. 96-7C (1996) for meter readings for the billing months of August, September, and October, 1996.

The increase in the proposed fuel charge is primarily attributable to the dramatic increase in fuel prices during the quarter ending October 1996, representing a 20 percent increase in fuel cost, resulting in a large undercollection of \$145,927.66. Another reason for the increase in the proposed fuel charge is the higher forecasted fuel price of \$0.74 per gallon for the quarter ending January 1997, compared to the average fuel price in July of \$0.62 (Tr. at 6-7; Exh. N-1 at 7).

Electric Company will be charged the Massachusetts Electric Company rates in effect plus a cable surcharge (Tr. at 10-11).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules in 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated energy rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R.

§ 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

The Company proposed the following standard rates to be paid to QFs during November and December 1996 and January 1997 (Exh. N-1, Sch. C):

Energy Rates By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Primary	\$0.09015	\$0.08392	\$0.08812

Short-Run Capacity Rates (Dollars/KWH)

<u>Voltage Level</u>	<u>Short Run Capacity Rate</u>
Primary	\$0.023796

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of November and December 1996 and January 1997 shall be \$0.07070 per KWH (the calculation of the fuel charge is shown in Table 1 attached to this Order); and

2. that the qualifying facility power purchase rates for November and December 1996 and January 1997 shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Nantucket Electric Company is authorized to put into effect a quarterly fuel charge of \$0.07070 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meter readings for the billing months of November and December 1996 and January 1997; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of November and December 1996 and January 1997 shall be those set forth in Section III of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,

John B. Howe, Chairman

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).